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State of California  
**Franchise Tax Board**

11.05.2007

To: Interested Parties  
From: Anne Miller  
Subject: Draft FTB Pub. 737, Tax Information for Registered Domestic Partners

Hello,

Attached is our revised draft of FTB Pub. 737, Tax Information for Registered Domestic Partners. On 11/02/2007 we released a Questions and Responses document as reference material for your review of this updated draft FTB Pub. 737. We incorporated many of your suggestions into this revised draft FTB Pub. 737.

FTB is continuing to revise and improve the content of this publication, and we welcome your comments or suggestions about this revised draft publication, including any items that you believe should be included or addressed in more detail. We are also available to meet with you to discuss the draft FTB Pub. 737. You can submit your comments or request to meet with us at [RDP@ftb.ca.gov](mailto:RDP@ftb.ca.gov).

In order to meet review deadlines we need to hear from you by 11/30/2007. We expect to release the official FTB Pub. 737 by mid-December.

Best Regards,

Anne Miller, Chief  
Filing Division  
Franchise Tax Board  
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## **Caution: DRAFT PUBLICATION**

This is a revised draft of California Pub. 737, Tax Information for Registered Domestic Partners. FTB is continuing to revise and improve the content of this publication. It is subject to change and FTB approval before it is officially released.

We welcome comments or suggestions about this draft publication, including any items which you believe should be included or addressed in more detail. You can submit them to us at [RDP@ftb.ca.gov](mailto:RDP@ftb.ca.gov).



## FTB Publication 737

# Tax Information for Registered Domestic Partners

## Contents

|   |    |
|---|----|
| What's New . . . . .                            | 2  |
| General Information . . . . .                   | 2  |
| Legislative History . . . . .                   | 3  |
| Filing Requirements . . . . .                   | 4  |
| Filing Status . . . . .                         | 4  |
| Separate Returns . . . . .                      | 5  |
| RDP Adjustments Worksheet . . . . .             | 7  |
| California Adjustments . . . . .                | 14 |
| Frequently Asked Questions . . . . .            | 15 |
| Definitions . . . . .                           | 16 |
| Additional Information . . . . .                | 17 |
| How to Get California Tax Information . . . . . | 17 |

## Purpose

This publication is primarily to assist Registered Domestic Partners (RDP) in filing their California income tax return, if you have RDP adjustments. However, there is additional information about the history of RDPs and community property information that may be useful in completing your return.

RDP adjustments may be required because the filing status of an RDP for California purposes is not the same as the filing status that the RDP used for federal purposes. Federal income tax law treats a single person and a married couple as a single economic unit. Frequently, the dollar limits for a single taxpayer and a married couple are the same and the dollar limit for a married person filing separately is one-half the amount for a single person or a married couple. To apply the correct dollar limits, an RDP might be required to reduce the amount of a deduction reflected on a federal return.

Another category of adjustment occurs when the substantive rule for a transaction is different for a married person. For example, no gain or loss is recognized when spouses transfer property among themselves. Since an RDP is treated as a spouse for California purposes, no gain or loss is recognized for California purposes when one RDP transfers property to his or her domestic partner. However, this transfer is not likely to get the same treatment for federal purposes and gain or loss might be recognized for federal purposes.

RDP adjustments include, but are not limited to the following:

- Division of Community Property
- Capital losses
- Transactions between RDPs
- Sale of residence
- Dependent care assistance
- Investment interest
- Qualified residence acquisition loan & equity loan interest
- Expense depreciation property limitations
- Individual Retirement Account
- Education loan interest
- Rental real estate passive loss
- Rollover of publicly traded securities gains into specialized small business investment companies



### INTERNET ASSISTANCE

We've made significant changes to our Website in an effort to help answer questions when completing your income tax return. Go to our Website at [www.ftb.ca.gov](http://www.ftb.ca.gov) to:

- Get a Customer Service Number.
- e-file your tax return.
- Check your estimated tax payments.
- Check the status of your refund and making an account balance inquiry.
- Pay online with Web Pay (personal income tax, estimated tax, and bills). You choose the dates to pay.
- Complete and submit requests to make monthly tax payments.
- Download tax forms and publications - sorted by year and by form number.
- Access FTB legal notices, rulings, regulations; also see FTB's analysis of pending legislation; and get current law/policy information by reading **Tax News** online.
- View internal procedure manuals to learn how we administer the law.

There are three possible methods to file if you are an RDP.

If you do not have any RDP adjustments:

- Combine federal Form 1040, line 37 from each individual federal Form 1040 filed with the IRS and transfer the combined amount to Form 540, line 13.

If you have RDP adjustments, you will need to recalculate your federal adjusted gross income (AGI), before completing your California income tax return. You have two options:

- Complete the California RDP Adjustments Worksheet.
- Complete a pro forma federal Form 1040. A pro forma federal Form 1040 must be prepared using the same filing status used on your California return.

A pro forma federal Form 1040, is a federal return completed in the same manner that a married couple would report income and expenses.

The pro forma federal Form 1040 is used only to assist you in completing your California return. Do NOT file the pro forma federal Form 1040 with the IRS.

To complete the pro forma federal Form 1040 or the worksheet, follow the federal Form 1040 instructions along with the instructions provided in this publication.

## What's New

Effective for taxable years beginning on or after January 1, 2007, RDPs under California law must file their California income tax returns using either the married/RDP filing jointly or married/RDP filing separately filing status. RDPs will have the same legal benefits, protections, and responsibilities as married couples unless otherwise specified.

If you entered into a same sex legal union in another state, other than a marriage, and that union has been determined to be substantially equivalent to a California registered domestic partnership, effective for taxable years beginning on or after January 1, 2007, you are required to file a California income tax return using either the married/RDP filing jointly or married/RDP filing separately filing status. For more information on what states have legal unions that are considered substantially equivalent, go to our Website at [www.ftb.ca.gov](http://www.ftb.ca.gov) and search **RDP**. (This information pending Attorney General's decision)

For purposes of California income tax, references to a spouse, a husband, or a wife also refer to a California Registered Domestic Partner (RDP), unless otherwise specified. When we use the initials (RDP) they refer to both a California Registered Domestic "Partner" and a California Registered Domestic "Partnership", as applicable.

## General Information

In general, California affords the same rights – and responsibilities – to RDPs that previously were available only to married individuals. For California tax purposes, the same long-standing rules applicable to married individuals (relating to filing status, community property income, etc.) now apply to RDPs. However, because the federal government does not recognize domestic partners as married individuals for federal tax (IRS) purposes, RDPs will continue to file as unmarried individuals on their federal returns.

In general, California law conforms to the Internal Revenue Code (IRC) as of January 2005. However, there are continuing differences between California and federal law. When California conforms to federal tax law changes, we do not always adopt all of the changes made at the federal level. For more information, go to our Website at [www.ftb.ca.gov](http://www.ftb.ca.gov) and search for **conformity**. Additional information can be found in the instructions for California Schedule CA (540 or 540NR) and the Business Entity tax booklets.

The instructions provided with California tax forms are a summary of California tax law and are only intended to aid taxpayers in preparing their state income tax returns. We include information that is most useful to the greatest number of taxpayers in the limited space available. It is not possible to include all requirements of the California Revenue and Taxation Code (R&TC) in the tax booklets. Taxpayers should not consider the tax booklets as authoritative law.

## California Registered Domestic Partners

California Family Code Section 297 provides that "domestic partners are two adults who have chosen to share one another's lives in an intimate and committed relationship of mutual caring."

## Registered Domestic Partnership Requirements

A domestic partnership is established in California when both persons file a Declaration of Domestic Partnership with the California Secretary of State, and at the time of filing, all of the following requirements are met:

- Either of the following:
  - ▶ Both persons are members of the same sex.
  - ▶ One or both of the persons is/are over the age of 62 and meet the eligibility criteria under Title II of the Social Security Act as defined in 42 U.S.C. Section 402(a) for old-age insurance benefits or Title XVI of the Social Security Act as defined in 42 U.S.C. Section 1381 for aged individuals.
- Both persons have a common residence.

- Neither person is married to someone else or is a member of another domestic partnership with someone else that has not been terminated, dissolved, or adjudged a nullity.
- The two persons are not related by blood in a way that would prevent them from being married to each other in California.
- Both persons are at least 18 years of age.
- Both persons are capable of consenting to the domestic partnership.

The definition of “common residence” means that both domestic partners share the same residence. It is not necessary that the legal right to possess the common residence be in both of their names. Two people have a common residence even if one or both have additional residences. Domestic partners do not cease to have a common residence if one leaves the common residence but intends to return.

For additional domestic partner registration information go to the California Secretary of State Website at [www.sos.ca.gov](http://www.sos.ca.gov) and search for **domestic partners registry** or call (916) 653-3984.

## Legislative History

Effective January 1, 2000, California legislation provided for the definition, registration, and termination of a domestic partner with the California Secretary of State. It also provided an option for state and local public employers to extend benefits to domestic partners under the Public Employees’ Medical and Hospital Care Act and specified domestic hospital visitation rights.

Effective January 1, 2002, California legislation was enacted that treated an RDP as a spouse of the taxpayer for certain medical tax benefits.

Effective January 1, 2005, rights, benefits and privileges were added which treated RDPs the same as married persons, with the exception that they could not file a California income tax return in the same manner as married persons. Included within those rights, benefits, and privileges were community property rights (with the exception of earned income) which were applied to a registered domestic partnership as of the date of registration. This changed with the passage of law effective January 1, 2007, which requires RDPs to file their 2007 California income tax returns using the Married/RDP Filing Jointly or Married/RDP Filing Separately filing status. For more detailed information, go to our Website at [www.ftb.ca.gov](http://www.ftb.ca.gov) and search for **RDP** and view legislative history.

## Attachments to Your Return

Did you attach any federal forms or schedules other than Schedule A or Schedule B to your federal Form 1040?

**No** Do not attach a copy of your federal Form 1040 return to Form 540.

**Yes** Attach a copy of both RDP’s federal Form 1040’s filed with the IRS and all supporting federal forms and schedules to Form 540, in addition to the federal Forms 1040.

**Exception:** Attach a copy of either the California RDP Adjustment Worksheet or federal Pro Forma Form 1040 if used to complete your Form 540.

If software prohibits you from filing the required attachment(s), you should retain copies of all documentation as it may be requested through correspondence at a later date.



# Do I Have to File a California Income Tax Return?

## Filing Requirements for RDP Residents, Nonresidents, and Part-year Residents

**Note:** If you are filing as an RDP answer the question in the Filing Status section of the return that asks "If your California filing status is different from your federal status, fill in the circle here."

**Residents** – File a California tax return if either your gross income (which consists of all income you received from all sources in the form of money, goods, property, and services, that is not exempt from tax) or your adjusted gross income (which consists of your federal adjusted gross income from all sources, reduced or increased by all California income adjustments) is more than the amounts shown on the chart below.

**Nonresidents and Part-Year Residents** – File a California return if you have any income from California sources and your gross income (which consists of all income you received from all sources in the form of money, goods, property, and services, that is not exempt from tax) or adjusted gross income (which consists of your federal adjusted gross income from all sources, reduced or increased by all California income adjustments) is more than the amounts shown on the chart below.



Even if you do not have to file a tax return, you should file one in order to get a refund if California state income tax was withheld from your pay, or if you made estimated tax payments.

| On 12/31/07,<br>my filing status was:   | and on 12/31/07,<br>my age was:<br>(If your 65th birthday is on January 1,<br>2008, you are considered to be age 65 on<br>December 31, 2007) | California Gross Income  |                            |                            | California Adjusted Gross Income |                            |                            |
|---|--|--|----------------------------|----------------------------|----------------------------------|----------------------------|----------------------------|
|   |  | Dependents   |                            |                            | Dependents                       |                            |                            |
|   |  | 0  | 1                          | 2<br>or more               | 0                                | 1                          | 2<br>or more               |
| Head of household<br>(Get FTB Pub. 1540, California Head of<br>Household Filing Status Information)   | Under 65<br>65 or older  | 14,138<br>18,838   | 23,938<br>26,188           | 31,288<br>32,068           | 11,310<br>16,010                 | 21,110<br>23,360           | 28,460<br>29,240           |
| Married/RDP filing jointly<br>Married/RDP filing separately<br>(The income of both RDPs must be com-<br>bined; both RDPs may be required to file a<br>tax return even if only one RDP had income<br>over the amounts listed.) | Under 65 (both RDPs)<br>65 or older (one RDP)<br>65 or older (both RDPs)   | 28,276<br>32,976<br>38,676   | 38,076<br>40,326<br>45,026 | 45,426<br>46,206<br>50,906 | 22,620<br>27,320<br>32,020       | 32,420<br>34,670<br>39,370 | 39,770<br>40,550<br>45,250 |
| Qualifying widow(er)  | Under 65<br>65 or older  |  | 23,938<br>26,188           | 31,288<br>32,068           |                                  | 21,110<br>23,360           | 28,460<br>29,240           |
| Dependent of another person<br>Any filing status  | Any age  | More than your standard deduction (Use the California Standard Deduction Worksheet for<br>Dependents in the instructions for your tax return to figure your standard deduction.) |                            |                            |                                  |                            |                            |

## Filing Status

**Married/RDP Filing Jointly** – If **any** of the following is true:

- You were an RDP as of December 31, 2007, even if you did not live with your RDP at the end of 2007
- Your RDP died in 2007 and you did not re-register as an RDP or marry in 2007
- Your RDP died in 2008 before you filed a 2007 return

**Married/RDP Filing Separately**

- Community property rules apply to the division of income if you use the married/RDP filing separately status. For more information, get FTB Pub. 1031, Guidelines for Determining Resident Status, FTB Pub. 1051A, Guidelines for Married/RDP Filing Separate Returns, or FTB Pub. 1032, Tax Information for Military Personnel.
- You cannot claim a personal exemption credit for your RDP even if your RDP had no income, is not filing a return, and is not claimed as a dependent on another person's return.
- You may be able to file as head of household if your child lived with you and you lived apart from your RDP during the entire last six months of 2007.

**Head of Household** is for unmarried individuals and certain married/RDP individuals living apart (considered unmarried or considered not in a domestic partnership) who provide a home for certain other persons. You are entitled to use the head of household filing status only if **all** of the following apply:

- You met the requirements to be considered not in a registered domestic partnership on December 31, 2007
- You paid more than one-half the cost of keeping up your home for the year 2007
- For more than half the year, your home was the main home for you and your child who lived with you
- You were not a nonresident alien at any time during the year

For a child to qualify as your foster child for head of household purposes, the child must either be placed with you by an authorized placement agency or by order of a court. For more information, go to our Website at [www.ftb.ca.gov](http://www.ftb.ca.gov) or get FTB Pub. 1540, California Head of Household Filing Status.

**Qualifying Widow(er) with Dependent Child**

Fill in the circle on line 5 and use the joint return tax rates for 2007 if all five of the following apply:

- Your RDP died in 2005 or 2006 and you did not enter into another registered domestic partnership in 2007.
- You have a child, stepchild, adopted child, or foster child whom you can claim as a dependent.
- This child lived in your home for all of 2007. Temporary absences, such as for vacation or school, count as time lived in the home.
- You paid over half the cost of keeping up your home for this child.
- You could have filed a joint return with your RDP the year he or she died, even if you actually did not do so.

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## Married/RDP Filing Separately

**Division of Income** – Before revising your federal adjusted gross income, you must divide your community property. The domicile of the RDP earning the income determines the division of income between the RDPs when separate returns are filed. Each RDP must follow the laws of his or her state of domicile to determine if the income is separate or community property. California is a community property state. If the state of domicile is a community property state, when filing separate returns, each RDP must report half of the community property plus all separate income on his or her return. For California purposes, use federal Publication 555, Community Property, which contains an allocation worksheet to assist in the division of income.

**To revise your federal adjusted gross income, have the following information available:**

- Federal Income Tax Return and supporting schedules for each RDP.
- Copy of federal Form 1040 instructions including worksheets, as needed.
- If filing separately, a copy of FTB Pub. 1051A, Guidelines for Married/RDP Filing Separate Returns and allocation worksheet from federal Publication 555.

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## California Community/Separate Property

Community property is the total of the following property acquired and earnings received:

- By an RDP during a registered domestic partnership while domiciled in a community property state.
- By an RDP that is not separate property.

Each RDP owns one-half of all community property.

Separate property is:

- All property owned separately by an RDP before entering into a registered domestic partnership.
- All property acquired separately after entering into a registered domestic partnership, such as gifts, inheritances, and property purchased with separate funds.
- Money earned while domiciled in a separate property state.
- All property declared separate property in a valid agreement entered into before or after registration of the domestic partnership.

Community income is all income from community property, wages, salaries, and other compensation for personal services of either RDP while in a registered domestic partnership. Community income is divided equally between RDPs.

Under California law community status ends in any of the following situations:

- Upon the death of either RDP.
- When the decree of dissolution or termination of registered domestic partnership becomes final.
- When RDPs separate with no immediate intention of reconciliation.

Income from separate property is income of the RDP who owns the property.

When filing separate returns, the domicile of the RDP who earns the income determines the division of income between the RDPs. For income tax purposes, the income of RDPs domiciled in a community property state may be community income or separate income. When RDPs file separate returns, each RDP reports the following:

- One-half of the community income
- All of his or her separate income

For more information on community property, see federal Publication 555, Community Property. RDPs will use the rules in federal Publication 555 for married people to determine how to apply those rules for California income tax purposes. The note in Publication 555 regarding California RDPs applies to filing of your federal return.

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## Pension Plans

For qualified pension plans, an RDP will not be treated as the spouse where such treatment would result in the disqualification for federal income tax purposes of a pension plan.

Anti-alienation provisions, applicable to qualified pension plans, prohibit assignment or transfer of plan assets except through a qualified domestic relations order (QDRO) or by certain survivor benefits. A QDRO is generally a court-ordered division of a qualified pension plan between spouses in relation to a divorce, a property division, or provision for child support. Because federal law does not recognize an RDP as a spouse, a plan will not be disqualified for California income tax purposes if a QDRO between RDPs is not recognized or if survivor benefits are not available to RDPs.

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## IRAs/Roth IRAs/Tax-Favored Accounts

An RDP will not be treated as a spouse where such treatment would result in a tax-favored account, such as an IRA, Roth IRA, Coverdell education savings account (ESA), Archer Medical Savings Account (MSA), or IRC section 529 plan (Qualified Tuition Program), which would not be qualified as a tax-favored account for federal purposes.

For example, under federal law, the beneficiary of a Coverdell ESA may transfer the remaining balance in an ESA to a new beneficiary. This new beneficiary must be “a member of the family”, which is defined broadly to include the following relatives of the original beneficiary: spouse, child, brother, sister, stepbrother, stepsister, stepfather, stepmother, etc. Because federal law does not recognize an RDP as a spouse, the balance in an ESA cannot be transferred to a taxpayer’s RDP or an RDP’s child because the transfer would result in the Coverdell ESA not being a qualified tax-favored account for federal income tax purposes. Instead, the change in beneficiary would be considered a non-qualified distribution from

the tax-favored account subject to additional tax of 10 percent for federal tax purposes and 2.5 percent for California tax purposes. Therefore, for California purposes, an RDP would not be treated as a spouse for purposes of changing the beneficiary of a Coverdell ESA. In the event of a distribution from an IRA, Roth IRA, or other tax-favored account, because federal law does not recognize RDPs, a taxpayer whose RDP or RDP's child receives distributions from the taxpayer's IRA, Roth IRA, or other tax-favored account, may incur additional tax penalties for federal income tax purposes, but not for California income tax purposes.

For example, in an IRA, if you take an early distribution from your IRA to pay the higher education expenses of your RDP or the child of your RDP, for federal purposes you would probably owe an additional tax of 10 percent, but for California purposes you would not owe the additional tax of 2.5 percent. However, for both federal and California tax purposes, you would need to include in your taxable income the early distribution from your IRA, unless you have a basis in the IRA that may be recovered tax-free.

For California income tax purposes, if you or your RDP is covered by an employer-provided retirement plan, then your California deduction for an IRA contribution may be limited. See the example for line 32. The amount of a nondeductible IRA contribution creates a California-only IRA basis that is recoverable from IRA distributions that would otherwise be taxable for California income tax purposes. You must keep track of your California basis in your IRA. For general information about recovery of a California-only basis, get FTB Pub. 1005, Pension and Annuity Guidelines.

For California income tax purposes, if you or your RDP contributed to a Roth IRA in 2007 you need to review the income phase out limitations. The allowable Roth IRA contribution may be reduced based on you and your RDP's combined adjusted gross income.

| 2007 Filing Status<br>Married/RDP Filing |                       |
|--|-----------------------|
| Jointly/Qualified Widow(er)              | \$156,000 - \$166,000 |
| Single/Head of Household                 | \$99,000 - \$114,000  |
| Married/RDP Filing Separately            | \$0 - \$10,000        |

Chris, Taxpayer One, and Pat, Taxpayer Two, are RDPs. Chris made a contribution to his Roth IRA of \$4,000. Chris's federal adjusted gross income is \$90,000. Pat made a contribution to his Roth IRA of \$4,000. Pat's federal adjusted gross income is \$95,000. Chris and Pat's combined federal adjusted gross exceeds the \$166,000 limitation for an allowable Roth IRA contribution. The result is Chris and Pat, for California purposes, could not make contributions to their Roth IRAs. Because a Roth IRA contribution is not an allowable deduction on a tax return, there is no adjustment to income previously

reported on their single federal tax returns. For California purposes, the effect is both Chris's and Pat's Roth IRA contributions are treated as "excess contributions" for Californian purposes. California does not impose the 6 percent excise tax that is imposed under federal law on excess contributions to Roth IRAs.

Chris and Pat need to keep records of any income resulting from these excess contributions. When Chris or Pat receives a "qualified distribution" from their Roth IRA, which is not included in their California gross income, for California income tax purposes Chris and Pat would be required to increase their income to include the excess contributions and any net income earned from the excess contributions.

## Related Parties

In applying IRC section 267 for California purposes, the definition of related parties includes RDPs.

In applying IRC section 1041, the definition of spouse includes RDPs. Therefore, no gain or loss will be allowed for any transfer of property between RDPs.

For California tax purposes, no gain or loss will be recognized pursuant to IRC section 1041 for the transfer of property between RDPs.

In applying IRC section 318, an RDP will be treated as a spouse for purposes of determining ownership of stock. However, if the treatment of an RDP, as a spouse, will lead to the disqualification of the taxpayer's choice of business entity, then the RDP will not be treated as a spouse for California purposes.



# 2007 California RDP Adjustments Worksheet — Recalculated Federal Adjusted Gross Income

Name(s) as shown on return

SSN or ITIN

**Part I Income Adjustment Worksheet****Section A – Income**

|  | <b>A</b><br>Taxpayer One<br>(taxable amounts from<br>your original federal return) | <b>B</b><br>Taxpayer Two<br>(taxable amounts from<br>your original federal return) | <b>C</b> Adjustments | <b>D</b> Adjusted Federal Amounts<br>(using the same rules<br>applicable to spouses) |
|--|--|--|----------------------|--|
| 7 Wages, salaries, tips, etc. ....   | 7  |  |                      |  |
| 8 Taxable interest income ....   | 8  |  |                      |  |
| 9 Ordinary dividends.<br>(a) TP1 _____<br>(a) TP2 _____                              | (b)  |  |                      |  |
| 10 Taxable refunds, credits, offsets of state and<br>local income taxes ....         | 10   |  |                      |  |
| 11 Alimony received ....   | 11   |  |                      |  |
| 12 Business income or (loss) ....  | 12   |  |                      |  |
| 13 Capital gain or (loss) ....   | 13   |  |                      |  |
| 14 Other gains or (losses) ....  | 14   |  |                      |  |
| 15 Total IRA distributions.<br>(a) TP1 _____<br>(a) TP2 _____                        | (b)  |  |                      |  |
| 16 Total pensions and annuities.<br>(a) TP1 _____<br>(a) TP2 _____                   | (b)  |  |                      |  |
| 17 Rental real estate, royalties, partnerships, S corporations,<br>trusts, etc. .... | 17   |  |                      |  |
| 18 Farm income or (loss) ....  | 18   |  |                      |  |
| 19 Unemployment compensation ....  | 19   |  |                      |  |
| 20 Social security benefits.<br>(a) TP1 _____<br>(a) TP2 _____                       | (b)  |  |                      |  |
| 21 Other income ....   | 21   |  |                      |  |
| 22 <b>Total.</b> Combine line 7 through line 21 in column D.<br>Go to Section B .... | 22   |  |                      |  |

**Section B – Adjustments to Income**

|   |    |  |  |  |
|---|----|--|--|--|
| 23 Educator expenses ....   | 23 |  |  |  |
| 24 Certain business expenses of reservists, performing<br>artists, and fee-basis government officials. ....         | 24 |  |  |  |
| 25 Health savings account deduction ....  | 25 |  |  |  |
| 26 Moving expenses ....   | 26 |  |  |  |
| 27 One-half of self-employment tax. ....  | 27 |  |  |  |
| 28 Self-employed SEP, SIMPLE, and qualified plans ....  | 28 |  |  |  |
| 29 Self-employed health insurance deduction ....  | 29 |  |  |  |
| 30 Penalty on early withdrawal of savings. ....   | 30 |  |  |  |
| 31 Alimony paid. ....   | 31 |  |  |  |
| 32 IRA deduction ....   | 32 |  |  |  |
| 33 Student loan interest deduction ....   | 33 |  |  |  |
| 34 Tuition and fees deduction ....  | 34 |  |  |  |
| 35 Domestic production activities deduction. ....   | 35 |  |  |  |
| 36 Add line 23 through line 35 in column D. ....  | 36 |  |  |  |
| 37 <b>Total.</b> Subtract line 36 from line 22 in column D.<br>Enter the amount here and on Form 540, line 13. .... | 37 |  |  |  |

**Part II Adjustments to Federal Itemized Deductions**

**38** Federal itemized deductions. Add the amounts on each taxpayer's federal Schedule A (Form 1040),  
lines 4, 9, 15, 19, 20, 27, and 28. **Enter the amount here and on line 38, Schedule CA (540) . . . . . 38**

**Note:** Apply the 7.5% limitation rule to your federal adjusted gross income to arrive at the amount for line 4. Apply the 2% limitation rule to your adjusted gross income to arrive at the amount for line 26. There are other itemized deductions that are also subject to the 2% limitation rule and some itemized deductions are subject to an overall limitation rule. See IRS Publication 17, Part Five, Standard Deduction and Itemized Deductions.

# Instructions for California RDP Adjustments Worksheet – Recalculated Federal Adjusted Gross Income

References to these instructions are to the Internal Revenue Code (IRC) as of January 1, 2005.

## General Information

In general, California law conforms to the Internal Revenue Code (IRC) as of January 2005. However, there are continuing differences between California and federal law. When California conforms to federal tax law changes, we do not always adopt all of the changes made at the federal level. For more information go to our Website at [www.ftb.ca.gov](http://www.ftb.ca.gov) and search for **conformity**. Additional information can be found in FTB Pub. 1001, Supplemental Guidelines to California Adjustments, and the Business Entity tax booklets.

The instructions provided with California tax forms are a summary of California tax law and are only intended to aid taxpayers in preparing their state income tax returns. We include information that is most useful to the greatest number of taxpayers in the limited space available. It is not possible to include all requirements of the California Revenue and Taxation Code (R&TC) in the tax booklets. Taxpayers should not consider the tax booklets as authoritative law.

## Purpose

Registered Domestic Partners (RDP) use this worksheet to make RDP adjustments to calculate federal adjusted gross income (AGI) for California tax purposes.

### To complete this worksheet, have the following information available:

- Federal Income Tax Return and supporting schedules for each RDP.
- Copy of federal Form 1040 Instructions including worksheets, as needed.
- If filing separately, a copy of federal Publication 555, Community Property and allocation worksheet.
- If filing separately, a copy of FTB Pub. 1051A, Guidelines for Married/RDP Filing Separate Returns.

**RDPs who file a California tax return and have no RDP adjustments between federal and California do not need to complete this worksheet. If you do not have any RDP adjustments combine federal Form 1040, line 37 from each individual federal Form 1040 filed with the IRS and transfer the combined amount to Form 540, line 13.**

RDP adjustments include but are not limited to the following:

- Division of Community Property
- Capital losses
- Transactions between RDPs
- Sale of residence
- Dependent care assistance
- Investment interest
- Qualified residence acquisition loan & equity loan interest
- Expense depreciation property limitations
- Individual Retirement Account

- Education loan interest
- Rental real estate passive loss
- Rollover of publicly traded securities gain into specialized small business investment companies

**RDPs filing as married/RDP filing jointly, married/RDP filing separately, former RDPs filing single, with RDP adjustments will complete a pro forma federal Form 1040 using the same filing status used on your California return or use the following worksheet and instructions.**

RDP adjustments occur when, for California purposes, you recalculate your federal return from a filing status of single or head of household to married/RDP filing jointly or married/RDP filing separately. RDP changes result in an increase or decrease to income or deductions. To complete this worksheet:

- Add column A and column B
- Add or subtract column C
- Enter the amount on column D  
(column A + column B) ± column C = column D

### Example:

Chris and Pat each have a capital loss on their separate federal returns, as shown below. Capital losses are limited to \$3,000. When they recalculate their federal return, as if married, they will make a \$2,000 filing status adjustment on column C, line 13 of this worksheet. (A \$3,000 loss plus a \$2,000 loss equals a \$5,000 loss; since they are limited to a \$3,000 loss, the adjustment will be \$2,000.)

### Part I Income Adjustments Worksheet Section A — Income

#### 13 Capital gain or (loss)

| A Taxpayer One | B Taxpayer Two | C Adjustments | D Adjusted Federal Amounts |
|----------------|----------------|---------------|----------------------------|
| (\$3,000)      | (\$2,000)      | \$2,000       | (\$3,000)                  |

If Chris and Pat are filing separately, they are each limited to a \$1,500 loss. Therefore, Chris will make a \$1,500 filing status adjustment and Pat will make a \$500 filing status adjustment on their separately filed returns.

### Part II Income Adjustments Worksheet Section A — Income

#### 13 Capital gain or (loss)

| A Taxpayer One | B Taxpayer Two | C Adjustments | D Adjusted Federal Amounts |
|----------------|----------------|---------------|----------------------------|
| (\$3,000)      |                | \$1,500       | (\$1,500)                  |
| A Taxpayer One | B Taxpayer Two | C Adjustments | D Adjusted Federal Amounts |
| (\$2,000)      |                | \$500         | (\$1,500)                  |

### Transfer Between Registered Domestic Partners

California conforms to IRC Section 1041 which provides that no gain or loss is recognized on transfers of property between spouses. For federal tax purposes, because

federal law does not recognize RDPs, transfers between RDPs are not treated as transfers between spouses. However, beginning January 1, 2007 for California tax purposes, because California treats RDPs the same as spouses, no gain or loss is recognized on transfers of property between RDPs. This also applies to transfers between former RDPs, if the transfer is related to termination of the registered domestic partnership. For more information on transfers to a spouse, see Property Settlements in federal Publication 504, Divorced or Separated Individuals.

## Instructions for Column A, Column B, and Column C

### Column A – Taxpayer One Federal Form 1040

Taxpayer One, transfer the amounts from your federal Form 1040, line 7 through line 37 to column A of the worksheet.

### Column B – Taxpayer Two Federal Form 1040

For married/RDP filing jointly taxpayer two, transfer the amounts from your federal Form 1040, line 7 through line 37 to column B of the worksheet.

For married/RDP filing separately or former RDP filing single, no amount will be shown in column B. All adjustments for community property will be made in column C.

For more information on community property, see federal Publication 555, Community Property. RDPs will use the rules in federal Publication 555 for married people to determine how to apply those rules for California income tax purposes. The note in Publication 555 regarding California RDPs applies to filing of your federal return.

### Column C – Adjustments

Use column C to make California RDP adjustments on line 7 through line 21 and line 23 through line 35 following the specific line instructions below. For additional instructions use the federal Form 1040. If the amount is less than zero (negative), enter the result in parentheses. For example: (12,345).

## Part I, Column C – Income Adjustment Worksheet

### Section A – Income, Column C

#### Line 7 – Wages, salaries, tips, etc.

Enter the total of your wages, salaries, tips, etc. For most people, the amount to enter on this line should be shown on box 1 of their Forms(s) W-2.

For additional information see the federal Form 1040 instructions for line 7.

#### Adjustment: Dependent care assistance programs (IRC Section 129)

The amount which may be excluded for dependent care assistance with respect to dependent care services provided during a taxable year shall not exceed \$5,000 (\$2,500 in the case of a separate return filed by a married individual).

For married/RDP filing joint, if you and your RDP excluded more than \$5,000 on your federal returns, your federal adjusted gross income for California purposes is increased by the amount which is in excess of \$5,000. For married/RDP filing separately, if you excluded more than \$2,500 on your federal return, your federal adjusted gross income for California purposes is increased by the amount which is in excess of \$2,500.

#### Line 8 – Taxable Interest

Each payer should send you a Form 1099-INT or Form 1099-OID. Enter your total taxable interest income on line 8.

For additional information see the federal Form 1040 instructions for line 8a.

#### Tax-Exempt Interest

If you received any tax-exempt interest, such as from municipal bonds, each payer should send you a Form 1099-INT. Enter the total on line 8.

For additional information see the federal Form 1040 instructions for line 8b.

#### Line 9a – Ordinary Dividends

Each payer should send you a Form 1099-DIV. Enter your total ordinary dividends on line 9a.

For additional information see the federal Form 1040 instructions for line 9a.

#### Line 9b – Qualified Dividends

Enter your total qualified dividends on line 9b.

For additional information see the federal Form 1040 instructions for line 9b.

#### Line 10 – Taxable refunds, credits, offsets of state and local income taxes

If you received a refund, credit, or offset of state or local income taxes in 2007, you may receive a Form 1099-G.

For additional information see the federal Form 1040 instructions for line 10.

#### Line 11 – Alimony received

Enter amounts received as alimony or separate maintenance.

For additional information see the federal Form 1040 instructions for line 11.

**Adjustment:** If you are an RDP receiving alimony not included in your federal income, enter the alimony amount on line 11, column C.

#### Line 12 – Business Income or (loss)

Enter your business income or loss.

For additional information see the federal Form 1040 instructions on line 12.

#### Adjustments:

#### Election to treat certain depreciable business assets as an expense (IRC Section 179(b))

You may elect to treat the cost of any IRC Section 179 property as an expense, which is not chargeable to capital account. Any cost so treated shall be allowed as a deduction for the taxable year in which the IRC Section 179 property is placed in service.



If you are filing married/RDP filing separately, your deduction is limited to 50% of the total allowable. Enter 50% of the total deduction as a positive number on line 12, column C.

**Election to treat certain reforestation expenditures as an expense (IRC Section 194)**

In the case of any qualified timber property with respect to which the taxpayer has made an election, the taxpayer shall treat reforestation expenditures that are paid or incurred during the taxable year with respect to such property as an expense that is not chargeable to capital account. The reforestation expenditures shall be allowed as a deduction. The aggregate amount of reforestation expenditures, with respect to each qualified timber property, shall not exceed \$10,000 (\$5,000 if you file as married/RDP filing separately).

If you claimed a reforestation expense deduction in the amount of \$5,000 on your federal return and are filing married/RDP filing jointly, enter the difference between your total reforestation expense (up to \$10,000 for each qualified timber property) and the amount you deducted on your federal return on line 12, column C, as a negative number.

**Rollover of publicly traded securities gain into specialized small business investment companies (IRC Section 1044)**

In the case of the sale of any publicly traded securities with respect to which the taxpayer elects the application of IRC Section 1044, gain from such sale shall be recognized only to the extent that the amount realized on such sale exceeds the cost of any common stock or partnership interest in a specialized small business investment company purchased by the taxpayer during the 60-day period beginning on the date of such sale, reduced by any portion of such cost previously taken into account under this section.

The amount of gain that may be excluded for any taxable year shall not exceed the lesser of \$50,000 (\$25,000 if filing married/RDP filing separately) or \$500,000 (\$250,000 if filing married/RDP filing separately), reduced by the amount of gain excluded for all preceding taxable years. If you are filing married/RDP filing jointly, enter the difference between your single return and your recalculated amounts (not to exceed the limitations) on line 12, column C, as a negative number.

**Line 13 – Capital gain or (loss) (IRC Section 1044(b)(3))**

If you had a capital gain or loss, including any capital gain distributions or a capital loss carryover from 2006, you must complete and attach federal Schedule D.

For additional information see the federal Form 1040 instructions for line 13.

**Adjustment:** For California purposes, registered domestic partners are treated as husband and wife in provisions where the husband and wife are treated as one person. RDPs are not treated as one person at the federal level.

If your capital losses are more than your capital gains, you can claim a capital loss deduction. The capital loss deduction for RDPs who file as married/RDP filing jointly is limited to \$3,000 (\$1,500 if you are an RDP filing as married/RDP filing separately).

**Line 14 – Other gains or (losses) (IRC Section 121)**

If you sold or exchanged assets used in a trade or business, see the Instructions for federal Form 4797.

**Adjustment:** RDPs are allowed an exclusion of gain on the sale of their principal residence. RDPs filing as married/RDP filing jointly are able to exclude up to \$500,000 (\$250,000 if you file as married/RDP filing separately).

If you sold your principal residence and excluded a gain of \$250,000 on your federal return and are filing married/RDP filing jointly, enter the difference between your total gain (up to \$500,000) and the amount you excluded from your federal income on line 14, column C, as a negative number.

**Line 15 – Total IRA distributions**

An RDP will not be treated as a spouse where such treatment would result in a tax-favored account not being qualified as a tax-favored account for federal income tax purposes.

**Adjustment:** An RDP may have an adjustment to line 15 if the RDP has a California-only basis in an IRA, which is recoverable from an IRA distribution. For example, an RDP may have a California-only basis in an IRA if the RDP's partner is covered by an employer-provided retirement plan. Based on the RDPs' combined adjusted gross income, the available deduction for an IRA contribution may be reduced for California income tax purposes. The amount disallowed for an IRA contribution on this worksheet creates a California-only basis in the IRA. RDPs must keep track of their California-only basis in order to recover it tax-free from IRA distributions reported at line 15 Total IRA distributions in future years.

**Line 15a and Line 15b – Total IRA distributions**

You should receive a Form 1099-R showing the amount of any distribution from your IRA. Unless otherwise noted in the line 15a and line 15b instructions, an IRA includes a traditional IRA, Roth IRA, simplified employee pension (SEP) IRA, and a savings incentive match plan for employees (SIMPLE) IRA. Except as provided in the federal Form 1040 instructions for line 15a and line 15b, leave line 15a blank and enter the total distribution on line 15b.

For additional information see the federal Form 1040 instructions for line 15a and line 15b.

**Line 16a and Line 16b – Total pensions and annuities**

You should receive a Form 1099-R showing the amount of your pension and annuity payments.

For additional information see the federal Form 1040 instructions for line 16a and line 16b.

**Line 17 – Rental real estate, royalties, partnerships, S corporations, trust, etc.**

Enter the amount from federal Schedule E, line 26, here.

**Adjustment:** Get federal Form 8582, Passive Activity Loss Limitations, if your modified adjusted gross income is over \$100,000. If you or your RDP actively participated in a passive rental real estate activity, you can deduct up to \$25,000 of loss from the activity from your nonpassive income. This special allowance is an exception to the general rule disallowing losses in excess of income from passive activities. The maximum amount of the special allowance is reduced if your modified adjusted

gross income is more than \$100,000 (\$50,000 if you file married/RDP filing separately).

If you have a loss, subtract the total allowable loss shown on your recalculated federal Form 8582 from the total of the amounts on line 17, column A and column B. Enter the result on line 17, column C, as a positive number.

#### **Line 18 – Farm income or (loss)**

Enter the amount from federal Schedule F, line 36 here.

#### **Adjustment: Election to treat certain depreciable business assets as an expense (IRC Section 179(b))**

You may elect to treat the cost of any IRC Section 179 property as an expense, which is not chargeable to capital account. Any cost so treated shall be allowed as a deduction for the taxable year in which the IRC Section 179 property is placed in service.

If you are filing married/RDP filing separately, your deduction is limited to 50% of the total allowable. Enter 50% of the total deduction as a positive number on line 18, column C.

#### **Line 19 – Unemployment compensation**

You should receive a Form 1099-G showing the total unemployment compensation paid to you in 2007.

For additional information see the federal Form 1040 instructions for line 19.

#### **Line 20a and Line 20b – Social security benefits**

You should receive a Form SSA-1099 showing in box 3 the total social security benefits paid to you.

For additional information see the federal Form 1040 instructions for line 20.

**Adjustment:** A portion of your benefits may be taxable. How much is taxable depends on the total amount of your benefits and other income. Generally, the higher that total amount, the greater the taxable part of your benefits. To figure the total taxable amount of your social security benefits, calculate the taxable benefit amount using the Social Security Benefits Worksheet found in the federal Form 1040 instructions. Subtract that amount from the total of the amounts on line 20, combine column A and column B on your California RDP worksheet. Enter the result on line 20, column C.

#### **Line 21 – Other Income**

Use line 21 to report any income not reported elsewhere on your return or other schedules.

For additional information see the federal Form 1040 instructions for line 21.

#### **Line 22 – Total**

Combine line 7 through line 21 in column D.

Go to Section B.

## **Section B – Adjustments to Income, Column C**

#### **Line 23 – Educator Expenses**

If you were an eligible educator in 2007, you can deduct up to \$250 of qualified expenses you paid in 2007. If you and your spouse/RDP are filing jointly and both of you were eligible educators, the maximum deduction is \$500. However, neither spouse/RDP can deduct more than \$250 of his or her qualified expenses. An eligible educator

is a kindergarten through grade 12 teacher, instructor, counselor, principal, or aide in a school for at least 900 hours during a school year.

For additional information see federal Form 1040 instructions for line 23.

#### **Line 24 – Certain business expenses of reservists, performing artists, and fee-basis government officials**

Include the following deductions on line 24:

- Certain business expenses of National Guard and reserve members who traveled more than 100 miles from home to perform services as a National Guard or reserve member.
- Performing-arts-related expenses.
- Business expenses of fee-basis state or local government officials.

For additional information see the federal Form 1040 instructions for line 24.

**Adjustment:** RDPs may only claim expenses as a performing artist if they file as married/RDP filing jointly, unless they lived apart from their RDP for the entire year.

#### **Line 25 – Health savings account deduction**

If contributions (other than employer contributions) were made to your health savings account for 2007, you may be able to take this deduction. See federal Form 8889 for additional information.

A “tax-favored account” means an individual account, plan, or arrangement that is exempt from tax under Federal law, including a Health Savings Account (HSA). Where the treatment of an RDP as a spouse would result in a tax-favored account that would not be qualified as a tax-favored account for federal income tax purposes, the RDP will not be treated as a spouse for California tax purposes with respect to that account.

#### **Line 26 – Moving expenses**

If you moved in connection with your job or business or started a new job, you may be able to take this deduction.

For additional information see the federal Form 1040 instructions for line 26.

#### **Line 27 – One-half of self-employment tax**

If you were self-employed and owe self-employment tax, use federal Schedule SE to figure the amount of your deduction.

#### **Line 28 – Self-employed SEP, SIMPLE, and qualified plans**

If you were self-employed or a partner, you may be able to take this deduction. See federal Publication 560, or, if you were a minister, see federal Publication 517.

#### **Line 29 – Self-employed health insurance deduction**

You may be able to deduct the amount you paid for health insurance for yourself, your RDP, and your/your RDP's dependents.

For additional information see the federal Form 1040 instructions for line 29.

#### **Line 30 – Penalty on early withdrawal of savings**

The Form 1099-INT or Form 1099-OID you received will show the amount of any penalty you were charged.



**Line 31 – Alimony paid**

If you made payments to or for your spouse/RDP or former spouse/RDP under a divorce or separation instrument, you may be able to take this deduction. For additional information, see federal Publication 504.

**Adjustment:** If you are an RDP paying alimony not included in your adjustment to income for federal purposes, enter the alimony amount on line 31, column C, as a positive amount.

**Line 32 – IRA deduction**

If you made contributions to a traditional IRA for 2007, you may be able to take an IRA deduction.

For additional information see the federal Form 1040 instructions for line 32.

**Adjustment:** If you are an RDP and your modified federal AGI exceeds the amounts below, your IRA deduction will be limited. Enter the adjustment amount on line 32, column C, as a positive amount.

A “tax-favored account” means an individual account, plan, or arrangement that is exempt from tax under Federal law, including an IRA. Where the treatment of an RDP as a spouse would result in a tax-favored account that would not be qualified as a tax-favored account for federal income tax purposes, the RDP would not be treated as a spouse for California tax purposes with respect to that account. More information to follow.

**Line 32 – IRA deduction**

Use the chart below if the RDP that contributed to an IRA was covered by an employer retirement plan.

|  |                      |
|--|----------------------|
| 2007 Filing Status – Married/RDP Filing: |                      |
| Jointly/Qualified Widow(er)              | \$83,000 - \$103,000 |
| Single/Head of Household                 | \$52,000 - \$62,000  |
| Married/RDP Filing Separately            | \$0 - \$10,000       |

Use the chart below if the RDP that contributed to an IRA was not covered by an employer plan, but the partner of the RDP was covered by an employer retirement plan.

|  |                       |
|--|-----------------------|
| 2007 Filing Status – Married/RDP Filing: |                       |
| Jointly/Qualified Widow(er)              | \$156,000 - \$166,000 |
| Single/Head of Household                 | \$ no phase-out       |
| Married/RDP Filing Separately            | \$0 - \$10,000        |

For example:

Chris, Taxpayer One, and Pat, Taxpayer Two, are RDPs. Chris made an IRA contribution of \$4,000 in 2007. Chris’s federal adjusted gross income is \$80,000, he is not covered by an employer-provided pension plan. On his separate federal return, Chris deducted his entire IRA contribution at line 32 of his Form 1040. Pat is covered by an employer-provided pension plan and he did not make an IRA contribution in 2007. Pat’s federal adjusted gross income is \$150,000. Chris and Pat’s combined federal income exceeds the \$166,000 limitation to deduct an IRA contribution. When they recalculate their federal return, as if married, they will make a \$4,000 filing status adjustment on Column C, line 32 of this worksheet.

**Part I Income Adjustments Worksheet Section B – Adjustments to Income**

## Lines 32 IRA Deduction

| A.<br>Taxpayer One | B.<br>Taxpayer Two | C.<br>Adjustments | D.<br>Adjusted<br>Federal<br>Amounts |
|--------------------|--------------------|-------------------|--------------------------------------|
| (\$4,000)          | \$0                | \$4,000           | \$0                                  |

**Line 33 – Student loan interest deduction**

Use the Student Loan Interest Deduction Worksheet in the federal Form 1040 instructions to determine your student loan interest deduction.

For additional information see the federal Form 1040 instructions for line 33.

**Line 34 – Tuition and fees deduction**

Qualified tuition and fees are amounts paid in 2007 for tuition and fees required for the student’s enrollment or attendance at an eligible educational institution during 2006. Tuition and fees paid in 2007 for an academic period that begins in the first 3 months of 2008 can also be used in figuring your deduction. Amounts paid include those paid by credit card or with borrowed funds. An eligible education universities, and certain vocational schools.

For additional information see the federal Form 1040 instructions for line 34.

**Line 35 – Domestic production activities deduction**

You may be able to deduct up to six percent of your qualified production activities income.

For additional information see the federal Form 1040 instructions for line 35.

**Line 36**

Add line 23 through 35 in column D

**Line 37 – Total**

Subtract line 36, column D from line 22, column D. Enter the amount here and on Form 540, line 13.

**Part II Adjustments to Federal Itemized Deductions****Line 38 – Federal itemized deductions**

The following adjustments may be required for qualified residence interest (IRC 163(h)):

- **Acquisition indebtedness** – The aggregate amount treated as acquisition indebtedness for a period shall not exceed \$1,000,000 (\$500,000 in the case of a married individual or an RDP filing a separate return). If your combined acquisition indebtedness is over \$1,000,000, enter the amount of interest on your indebtedness (up to \$1,000,000) on your recalculated federal Form 1040, line 10 or line 11, Schedule A.
- **Home equity indebtedness** – The aggregate amount treated as home equity indebtedness for any period shall not exceed \$100,000 (\$50,000 in the case of a married individual or an RDP filing a separate return). If your combined home equity indebtedness is over \$100,000 enter the amount of interest on your indebtedness (up to \$100,000) on your recalculated federal Form 1040, line 10 or line 11, Schedule A.

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**Investment interest (IRC 163(d))**

If you claimed an investment interest deduction in the amount of \$5,000 on your federal Form 1040, Schedule A and are married/RDP filing jointly, enter the difference between your total investment interest (up to \$10,000) and the amount you excluded on your federal Form 1040, line 14, Schedule A.

**Medical and Dental Expenses**

Combine your medical and dental expenses and apply the 7.5% limitation rule to your recalculated jointly adjusted gross income to arrive at the amount for line 4 of the federal Form 1040, Schedule A.

**Job Expenses and Certain Miscellaneous Deductions**

Combine your job expenses and miscellaneous deductions and apply the 2% limitation rule to your recalculated jointly adjusted gross income to arrive at the amount for line 27 of the federal Form 1040, Schedule A.

## Instructions for Column D

**Column D – Adjusted Federal Amounts**

To calculate column D:

- Add column A and column B
- Add or subtract column C
- Enter the amount in column D

(column A + column B)  $\pm$  column C = column D

**Transfer the amounts from column D, line 7 through line 37 to Schedule CA, column A, line 7 through line 37.**

**Note:** If you are filing as an RDP answer the question in the Filing Status section of the return that asks "If your California filing status is different from your federal status, fill in the circle here."

# California Adjustments

| Type of Benefit   | Federal treatment  | California treatment   | Adjustment  | Code Section  |
|---|--|--|---|---|
| Accidental and Health insurance exclusion of income                       | Federal law does not allow an exclusion for accidental and health insurance paid by the employer for a registered domestic partner and the partner's dependents. | For taxable years on or after January 1, 2002, California allows an exclusion from gross income for employer-provided accident and health insurance for registered domestic partners and their partner's dependents if not previously deducted.  | Enter adjustment on Schedule CA (540 or 540NR), line 7, column B the amount included in federal income.   | Internal Revenue Code 106(a)<br>California R&TC 17021.7 |
| Medical expense reimbursement as an exclusion from income                 | Federal law does not allow an exclusion for medical expense reimbursement paid by the employer for a registered domestic partner and the partner's dependents.   | For taxable years on or after January 1, 2002, California allows an exclusion from gross income for employer-provided medical expense reimbursement for registered domestic partners and their partner's dependents if expenses were not previously deducted.  | Enter adjustment on Schedule CA (540 or 540NR), line 7, column B the amount included in federal income.   | Internal Revenue Code 105(b)<br>California R&TC 17021.7 |
| Medical expenses  | Federal law does not allow a deduction for medical expenses incurred for a registered domestic partner and the partner's dependents.                             | For taxable years on or after January 1, 2002, California allows a deduction for medical expenses for a registered domestic partner and the partner's dependents as an itemized deduction that exceed 7.5% of Federal AGI.   | Enter adjustment on Schedule CA (540 or 540NR), Adjustments to Federal Itemized Deductions, under the line for Other adjustments. Enter the allowed amount as a positive number.  | Internal Revenue Code 213(a)<br>California R&TC 17021.7 |
| Qualified Long-term Health Care insurance deductible as a medical expense | Federal law does not allow a deduction for long-term health care insurance expenses paid for a registered domestic partner and the partner's dependents.         | For taxable years on or after January 1, 2002, California allows a deduction for medical expenses for a registered domestic partner and the partner's dependents as an itemized deduction that exceed 7.5% of Federal AGI. Refer to federal Publication 502, Medical and Dental Expenses, for additional limits on deductible long-term care premiums. | Enter adjustment on Schedule CA (540 or 540NR), Adjustments to Federal Itemized Deductions, under the line for Other adjustments. Enter the allowed amount as a positive number.  | Internal Revenue Code 213(a)<br>California R&TC 17021.7 |
| Self-employed Individual Health insurance deduction                       | Federal law does not allow a deduction for self-employed health insurance expenses incurred for a registered domestic partner and the partner's dependents.      | Self-employed individuals may claim a deduction for health insurance costs paid for themselves, their spouses, and dependents. For taxable years on or after January 1, 2002, self-employed individuals may also claim this deduction for health insurance costs paid for their registered domestic partner and the domestic partner's dependents.     | Enter adjustment on Schedule CA (540 or 540NR), column C, under the line for Self-employed health insurance deduction, the amount paid for health insurance coverage (established under your business) for your registered domestic partner and their dependents. Your total California deduction cannot exceed the limitations explained in the federal instructions. Do not include health insurance costs for any month you were eligible to participate in any subsidized health plan maintained by your or your domestic partner's employer.<br><br>Enter adjustment on Schedule CA (540 or 540NR), column B, under the line for Self-employed health insurance deduction, the amount of health insurance cost included in column A, for any month you were eligible to participate in any subsidized health plan maintained by your registered domestic partner's employer. | Internal Revenue Code 162(l)<br>California R&TC 17021.7 |

# Frequently Asked Questions

(Go to our Website at [www.ftb.ca.gov](http://www.ftb.ca.gov) for more frequently asked questions)

**1. Can I file a joint California return with my RDP for tax years prior to 2007?**

No. Domestic partners **cannot** file a married filing joint or married filing separate return for tax years prior to 2007. A domestic partner is required to use the same filing status for state income tax purposes that was used or would have been used for federal income tax purposes. For taxable years beginning on or after January 1, 2007, domestic partners are required to use the same filing status available to married persons.

**2. Is the earned income of domestic partners treated as community property for tax years prior to 2007?**

No. Earned income is not treated as community property for state income tax purposes for tax years prior to 2007.

**3. If one RDP dies, can the surviving RDP file a joint return?**

Yes, if an RDP dies, the surviving RDP can file as married/RDP filing jointly for the year the RDP dies if he or she does not enter into a new registered domestic partnership or marriage. If an RDP dies in the following year prior to filing their return the surviving RDP can file a married/RDP filing jointly return. For more information on surviving RDPs see deceased taxpayer.

**4. Can FTB waive accuracy-related penalties for RDPs due to reasonable cause?**

Yes, but there are no special rules to grant waiver of penalties for RDPs. "Reasonable cause" is a standard exception to most penalties imposed under the Revenue and Taxation Code and the Internal Revenue Code. Generally, reasonable cause exists where the failure to comply occurs despite the exercise of ordinary business care and prudence.

**5. Have the mortgage interest rules for RDPs filing California returns changed?**

Yes, but only if the limitations applicable on a federal return for married individuals would limit your interest deduction on your California return. For more information about those limits see federal Publication 936, Home Mortgage Interest Deduction.

**6. Can an RDP who files a California married/RDP filing jointly return exclude up to \$500,000 of capital gain on the sale of a principal residence?**

Yes, if they meet the capital gain exclusion rules that apply to a married individual filing a joint return. For more information, see federal Publication 523, Selling Your Home.

**7. Can an RDP who filed a joint return apply for relief under California's innocent spouse provisions?**

Yes, California innocent spouse provisions apply to anyone who files a married filing joint return.

**8. If a court orders termination of a registered domestic partnership and a California Family Law Court awards spousal support (alimony), what is the tax treatment of these payments?**

If the payment satisfies the requirements under tax law for alimony, it would be deducted by the payor and included by the payee. However, federal treatment of these payments is uncertain.

**9. If a court with jurisdiction of a dissolution proceeding for a registered domestic partnership assigns a tax debt owing to the FTB to one of the partners, is the FTB bound by the court order?**

The parties to a dissolution can stipulate to any payment arrangement of taxes that they wish, and the court could order one party to satisfy outstanding tax liabilities. However, the FTB is not generally bound by such a court order. There are some circumstances where the FTB will follow a court order revising tax liability between the parties to a dissolution proceeding. See form FTB 705, Request for Innocent Joint Filer Relief Form and Brochure.

**10. Can an RDP file as "head of household" (HOH) on a California return?**

Yes, RDPs can file HOH on a California return if they maintain the main home for their child, stepchild, adopted child, or eligible foster child and are "considered not in a registered domestic partnership."

To be "considered not in a registered domestic partnership" you must meet all of the following requirements:

- Your RDP did not live in your home during the last six months of the tax year.
- You file a separate return.
- You pay more than half the cost of keeping up your home for the tax year.
- Your home was the main home of your child, stepchild, or eligible foster child for more than half the year.
- You must be able to claim an exemption for the child.

For details on filing HOH see "FTB Pub. 1540, California Head of Household Filing Status."



## Definitions

**Registered Domestic Partnership** – Two persons who filed a Declaration of Domestic Partnership with the California Secretary of State.

**Marriage** – A legal union of two persons of the opposite sex as husband and wife.

**Married** – United in a legally recognized marriage.

**Husband** – A married man

**Wife** – A married woman

**Spouse** – A married person, one's husband or wife by lawful marriage.

**Former spouse** – A former married person, one's former husband, or former wife by lawful marriage.

**Married/RDP Filing Jointly Filing Status** – A filing status for married couples who were married as of the last day of the tax year. This filing status may also be used by RDPs who have registered as domestic partners with the California Secretary of State by the last day of the tax year.

**Married/RDP Filing Separately Filing Status** – A filing status for married couples and RDPs who choose to report their respective incomes, exemptions, and deductions on separate tax returns.

**Divorce** – The legal termination of a marriage.

**Unmarried** – A taxpayer is **unmarried** if on the last day of the tax year one of the following applies:

- The taxpayer has never been married.
- The taxpayer is legally divorced from his or her spouse under a final decree of divorce. A petition for divorce **or** an interlocutory decree of divorce is **not** the same as a final decree of divorce. A married taxpayer remains married during the time before the final decree of divorce.
- The taxpayer is legally separated from his or her spouse under a final decree of legal separation. A petition for legal separation or an informal separation agreement is **not** the same as a final decree of legal separation. Also, simply living apart from a spouse is **not** the same as being legally separated under a final decree of legal separation.

A married taxpayer is unmarried for head of household purposes if the taxpayer's spouse/RDP was a nonresident alien at any time during the year and the taxpayer does not choose to treat the nonresident spouse/RDP as a resident alien.

**Considered Unmarried (Head of Household)** – To qualify for head of household filing status, a married taxpayer or RDP must meet the requirements to be considered unmarried. One of those requirements is that the taxpayer's spouse or partner must not have lived in the home at any time during the last six months of the tax year.

**Decree of Dissolution** – The Final Judgment of Divorce (also referred to as a Decree of Dissolution or Decree of Divorce); the court order that terminates a marriage and certain registered domestic partnerships. The marriage or registered domestic partnership is not officially terminated until a final decree is issued by the court.

**Legal separation** – To be legally separated, a person must have received a final decree of legal separation issued by a court. A petition for legal separation, an information separation agreement, or simply living apart from a spouse/RDP is not the same as being legally separated under a final decree of legal separation.

**Termination/ Dissolution of RDP** – Depending on the circumstances, registered domestic partnerships may be terminated either by court order following a dissolution proceeding in the Superior Court or by filing a Notice of Termination of Domestic Partnership with the California Secretary of State.

**Mother** – A female parent that has born an offspring, has adopted a child, or otherwise established a maternal relationship with another person.

**Father** – A male parent who functions in a paternal capacity with regard to another; especially, a man who adopts a child.

**Parent** – A father or mother.



## Additional Information

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### How to Get California Tax Information

**By Internet** – You can download, view, and print California tax forms and publications from our Website at [www.ftb.ca.gov](http://www.ftb.ca.gov).

**By phone** – Call our toll-free phone numbers listed under “General Toll-Free Phone Service” to get the California tax forms you need.

**In person** – Many libraries and post offices provide free California tax booklets during the filing season. Most libraries have forms and schedules to photocopy (a nominal fee may apply).

Employees at libraries and post offices cannot provide tax information or assistance.

**By mail** – We will send you two copies of each tax form and one copy of each set of instructions. Allow two weeks to receive your order. If you live outside California allow three weeks to receive your order. Write to:

TAX FORMS REQUEST UNIT  
FRANCHISE TAX BOARD  
PO BOX 307  
RANCHO CORDOVA CA 95741-0307

### Letters

If you write to us, be sure your letter includes your social security number (SSN) or Individual Taxpayer Identification Number (ITIN), and your daytime and evening telephone numbers. Send your letter to:

FRANCHISE TAX BOARD  
PO BOX 942840  
SACRAMENTO CA 94240-0040

We will respond to your letter within ten weeks. In some cases, we may need to call you for additional information.

### Volunteer Income Tax Assistance

At more than 1,500 sites throughout California, trained volunteers provide free assistance to low-income, senior, disabled, and non-English speaking persons who need to file simple federal and state income tax returns. Many military bases also provide this service for members of the armed forces.

The volunteer income tax assistance locations will be listed on our Website at [www.ftb.ca.gov](http://www.ftb.ca.gov) from mid-January 2008, through April 15, 2008, or call the Franchise Tax Board at (800) 852-5711 to find the volunteer assistance location nearest you.

### General Toll-Free Phone Service

Telephone assistance is available year-round from 7 a.m. until 6 p.m. Monday through Friday, except holidays.

From within the United States. . . . . (800) 852-5711

From outside the United States. . . . . (916) 845-6500  
(not toll-free)

For federal tax questions, call the IRS at . . . (800) 829-1040

#### Assistance for persons with disabilities

We comply with the Americans with Disabilities Act. Persons with hearing or speech impairments please call TTY/TDD (800) 822-6268.

#### Asistencia bilingüe en español

Asistencia telefónica esta disponible todo el año durante las 7 a.m. y las 6 p.m. lunes a viernes, excepto días festivos.

Dentro de los Estados Unidos llame, al: (800) 852-5711  
(libre de cargos)

Fuera de los Estados Unidos llame, al: (916) 845-6500  
(cargos aplican)

**Asistencia para personas discapacitadas:** Nosotros estamos en conformidad con el Acta de Americanos Discapacitados. Personas con problemas auditivos, pueden llamar al TTY/TTD (800) 822-6268 .